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Standard Oil Company of California

Annual Report

1952

STANDARD OIL COMPANY OF CALIFORNIA

(Incorporated in Delaware)

BOARD OF DIRECTORS

HILLYER BROWN	F. S. BRYANT	H. D. COLLIER
R. G. FOLLIS	A. N. KEMP	B. W. LETCHER
GAGE LUND	ATHOLL McBEAN	E. J. McCLANAHAN
ROBERT W. MILLER	T. S. PETERSEN	PAUL PIGOTT

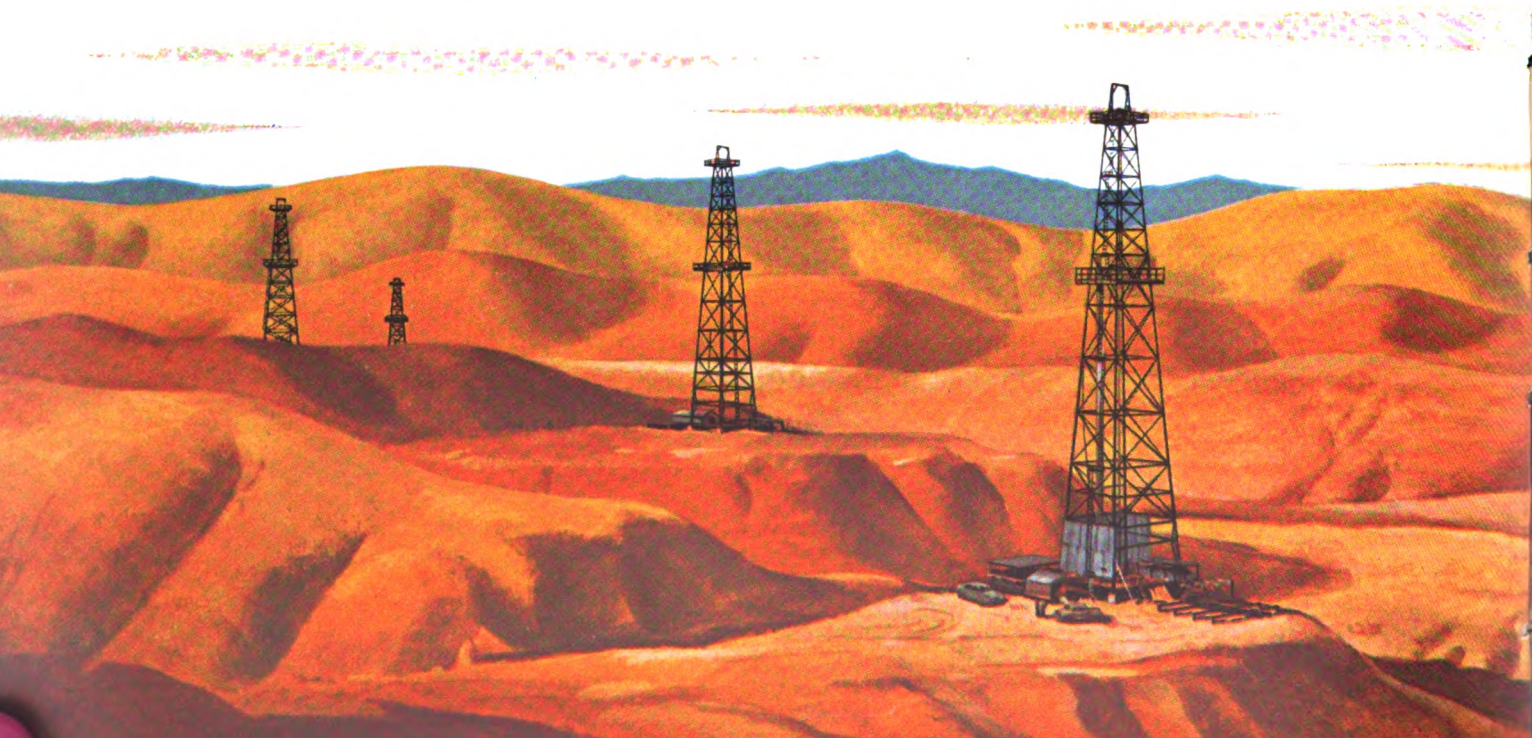
OFFICERS

R. G. FOLLIS	Chairman of the Board	E. J. McCLANAHAN	Vice-President
T. S. PETERSEN	President	G. J. O'BRIEN	Vice-Pres. (Los Angeles)
W. H. BEEKHUIS	Vice-President	G. L. PARKHURST	Vice-President
HILLYER BROWN	Vice-President	E. R. PETERSON	Vice-President
F. S. BRYANT	Vice-President	J. E. TOUSSAINT	Vice-President
K. H. CRANDALL	Vice-President	H. G. VESPER	Vice-President
G. A. DAVIDSON	Vice-President	C. R. McMILLIN	Ass't Vice-President
W. W. DAVISON	Vice-President	G. M. FOSTER	Secretary
P. L. FAHRNEY	Vice-President	H. C. JUDD	Treasurer
T. L. LENZEN	Vice-President	W. L. GREEN	Assistant Secretary
B. W. LETCHER	Vice-President	H. L. SEVERANCE	Assistant Secretary
GAGE LUND	Vice-President	S. W. SELFRIDGE	Assistant Treasurer

ANNUAL MEETING OF SHAREHOLDERS: FIRST THURSDAY IN MAY, AT THE COMPANY'S
PRINCIPAL BUSINESS OFFICE, STANDARD OIL BUILDING, 225 BUSH ST., SAN FRANCISCO

TRANSFER AGENTS: Standard Oil Company of California, Standard Oil Building, San Francisco
20, California; The Chase National Bank of the City of New York, 11 Broad Street, New York 15, N. Y.

REGISTRARS: The Anglo California National Bank of San Francisco, 1 Sansome Street, San
Francisco 20, California; The National City Bank of New York, 55 Wall Street, New York 15, N. Y.



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THE RESULTS IN BRIEF

	1952	1951
<i>Gross Income</i>	\$1,087,115,653	\$1,042,066,935
<i>Expenses</i>	913,085,154	868,725,724
<i>Net Income</i>	\$ 174,030,499	\$ 173,341,211
<i>Net Income Per Share</i> (28,673,192 shares)	\$6.07	\$6.05
 <i>Cash Dividends</i>	 \$ 86,019,576	 \$ 74,532,059
 <i>Capital and Exploratory Expenditures</i> . . .	 \$ 225,565,414	 \$ 182,475,328
 <i>Total Assets</i>	 \$1,407,198,494	 \$1,365,574,023
<i>Liabilities and Reserves</i>	249,037,200	295,423,652
<i>Shareholders' Equity—</i> at book value	\$1,158,161,294	\$1,070,150,371

Production—Refining—Sales: (Barrels Daily)

Gross Production of Crude Oil and Natural Gas Liquids, Western Hemisphere	337,233	328,107
Refinery Runs of Crude Oil	408,183	379,494
Sales of Crude Oil and Products	602,912	576,427

The Company's Interest in Eastern Hemisphere Operations of Affiliates Not Reflected Above:

Equity in Undistributed Net Income for Year	\$ 52,868,772	\$ 43,508,636
Proportion of Gross Crude Oil Production Represented by Our Stock Interest (Barrels Daily)	270,407	244,004

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Annual Report

1952

*To the 110,363 Shareholders of
Standard Oil Company of California*

THE COMPANY in 1952 maintained the high level of operations established in 1951, with an increase in volume of crude production and products handled. However, the operating income before taxes was lower than in the previous year, because of higher costs not recovered in prices. As an offset, there was a credit from 1951 for excess profits tax which, together with other adjustments, reduced the tax charge for 1952.

The final net income after taxes was \$174,030,499 or \$6.07 a share, as compared with the 1951 net of \$173,341,211, or \$6.05 a share.

Dividends in 1952 were \$3.00 a share, declared at the quarterly rate of 65 cents plus 10 cents extra. Dividends in 1951 were \$2.60 a share. The dividend declared in the first quarter of 1953 was 75 cents a share.

Historically, the Company has been consistently active in the field of exploration, which includes the acquisition of leases and concessions, geological studies and exploratory drilling. The emphasis on this highly important work was stepped up in 1952 with an intensive search for new oil being carried on in various countries of the Western Hemisphere.

An integrated petroleum company, if it is to grow and prosper over a period of years, must be able to find and produce crude oil — its basic stock in trade. The management is giving full recognition to this fact in its forward planning.

Expenditures for exploration in the Western Hemisphere in 1952 amounted to approximately \$87,000,000. This was 50 per cent above the 1951 level and more than 100 per cent above the amount spent for similar work in 1950.

The most intensive exploratory efforts were made in Louisiana, Texas, California and the Williston Basin in the United States; in western Canada, and in Venezuela. Broad areas were added as exploratory prospects in Peru and Trinidad.

The eventual results of this accelerated program will not be known for several years. However, 1952 was a successful year and substantial additions were made to the underground reserves of oil and gas.

Large outlays also were made in 1952 in other branches of the business to maintain a balanced growth in operations, so that capital and exploratory expenditures totaled nearly \$226,000,000, a substantially larger outlay than in any prior year. It is expected 1953 expenditures will be close to this high level.

The largest expenditures, after exploration, were in drilling development wells in existing oil fields, which required \$65,000,000, and in manufacturing, where

\$39,000,000 was invested for refinery improvements and new units, mainly directed toward higher quality and higher value products, including aviation fuels and petrochemicals. Important steps were taken to maintain a position of leadership in the rapidly expanding field of chemical production. Likewise, large amounts were spent on marketing, transportation and distribution facilities.

The cash position continued good, despite withdrawal of \$49,000,000 from the cash and government securities accounts during 1952. At the end of the year, the total of \$138,000,000 in cash and governments was close to the level prevailing two years prior. In addition to the large outlays for capital and exploratory purposes during this two-year period, payments were made to reduce long term debt, and increased dividends were paid.

Costs of doing business continued to advance during 1952. Figuring most importantly in this regard were the high costs involved in importing crude oil from such far places as Sumatra and Saudi Arabia to meet the West Coast crude oil shortage. The result was an uneconomic situation with actually two levels of crude oil costs, that of locally-produced California crude and that of the more expensive imports. The ending of price controls early in 1953 returned both crude oil and product prices to the normal working of supply and demand. Price levels were established, which it is anticipated will stimulate West Coast production and bring in supplemental supplies from outside sources as needed.

However, the price situation that prevailed in the West last year, and its effect on the margin of profit, resulted in a substantial reduction of earnings from Western operations. About one-third of the net income for 1952 came from those operations, another third from subsidiaries operating in other parts of the United States, and the remainder from subsidiaries and affiliated companies operating in foreign areas.

The subsidiaries operating east of the Rockies have grown rapidly in recent years. Producing companies in this group have produced more oil than the Parent in California for the last two years. Marketing operations on the East Coast have been successful and have been paralleled by development of a refining program of substantial size to serve them.

In summary, the Company now has production in 10 states, general marketing operations in 26 states, and marketing of special products in most of the others. Operations of various types also extend to several other countries in North and South America.

Arabian American Oil Company, in which the Company owns a 30 per cent interest, had a record year in 1952, and the Bahrain-Caltex Group, in which the Company has a 50 per cent interest, also established new high levels in its business.

In Sumatra, Caltex placed the new Minas field on production and began off-shore shipments. This is an important development. The field has large reserves and it is anticipated that the operation will continue to grow.

Caltex also is participating actively in the rebuilding of the oil refining industry in Japan. In addition, Caltex has new refining projects on the drawing boards for the Philippines and Australia.

The Company's share interest in the net income of these various affiliated companies operating in the Eastern Hemisphere was \$115,976,000, as compared with

\$102,477,000 for the previous year. From this net income dividends were received amounting to \$63,107,000, which contributed \$53,611,000 after taxes to the net income of the Company.

The investment of the Company in these affiliated companies was carried on the books at \$12,810,000 at the end of the year. However, the book value of the Company's equity in the net assets of the various companies involved was \$344,000,000, without evaluating underground oil reserves.

Of interest to shareholders was the enthusiastic acceptance by eligible employees of membership in the new Stock Plan for employees authorized by the shareholders at the 1952 annual meeting. More than 11,000 employees, 94 per cent of those eligible, have joined the plan. They are contributing 2½ to 5 per cent of their pay and the Company is contributing 2 per cent of net income before taxes. The purposes of the plan are to provide incentive and encourage efficiency, to give employees a shareholder viewpoint, and to attract and retain capable employees. The initial results indicate the plan is achieving these objectives.

During August, 1952, the Company and other companies engaged in the international oil business were subpoenaed to produce documents before a Grand Jury in the District of Columbia investigating foreign oil operations. The return date of the subpoena served on the Company has been extended by order of court. The Company is fully confident that it can prove it has acted legally and honorably in its foreign operations, and for the benefit of the United States and the Free World.

A suit still pending is one charging antitrust violations against the Company and six other West Coast oil companies. It was filed in 1950, but proceedings are still in preliminary stages because of the complexity of the case. Here, again, the Company is sure that it can prove its actions were legal and fair.

Because of continued higher costs caused by inflation, the charges against earnings for depreciation and depletion have proved inadequate to finance the replacement of facilities and it is anticipated this will be true for some time in the future. For this reason, and also because of expansion requirements, it is probable that a substantial part of earnings will continue to be required for capital outlays.

As mentioned earlier, the 1953 plans call for a continuation of large scale expenditures. The management considers them within the financial abilities of the Company to carry with money generated from the business. As a consequence, no new borrowing is contemplated.

By Order of the Board of Directors

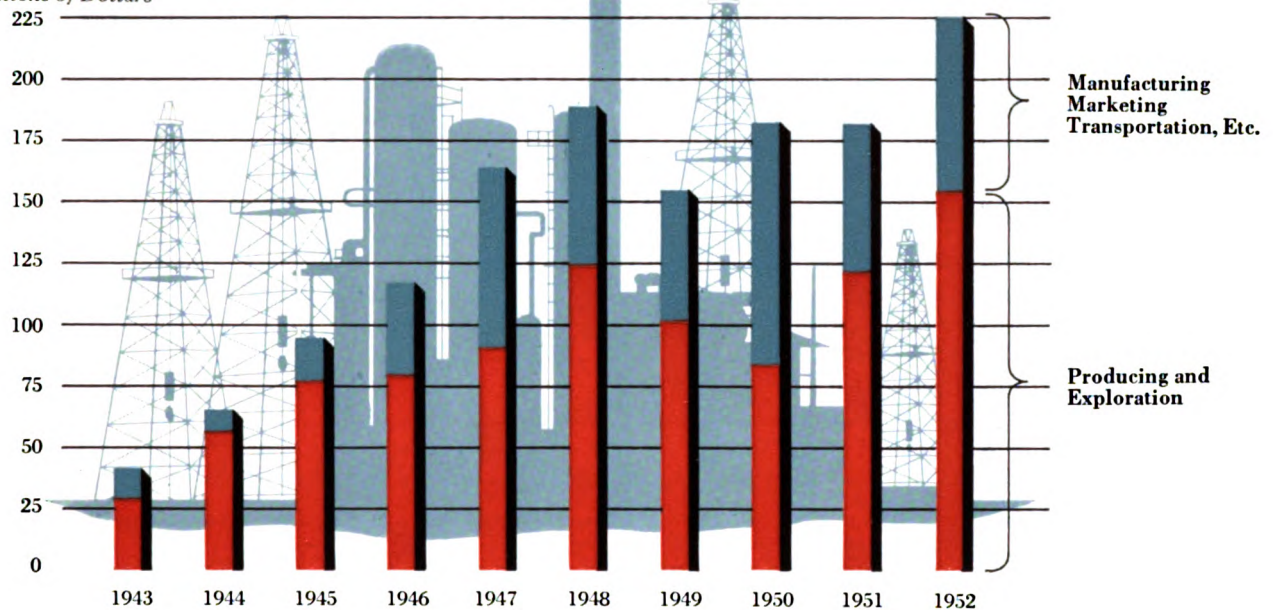
T. S. PETERSEN, President

R. G. FOLLIS, Chairman of the Board

March 17, 1953

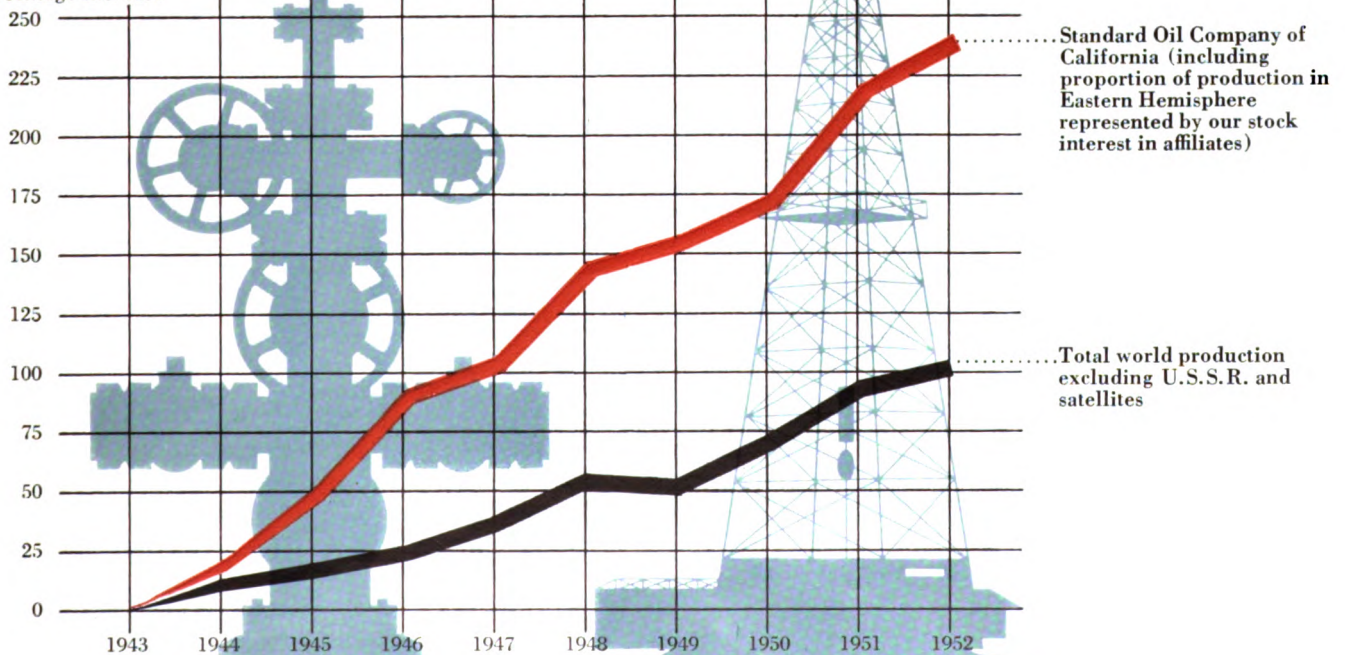
Capital and Exploratory Expenditures

Millions of Dollars



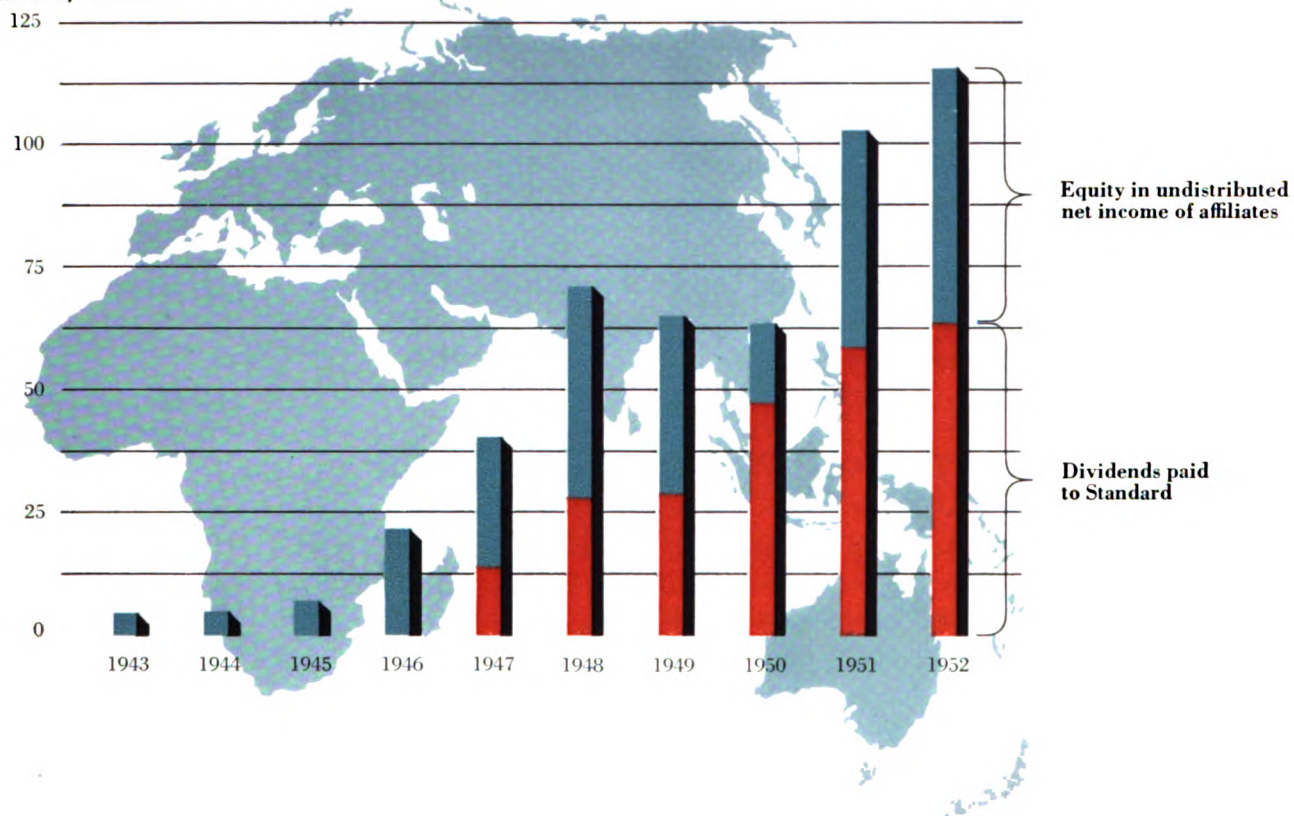
Growth in Gross Crude Oil Production

Percentage Increase



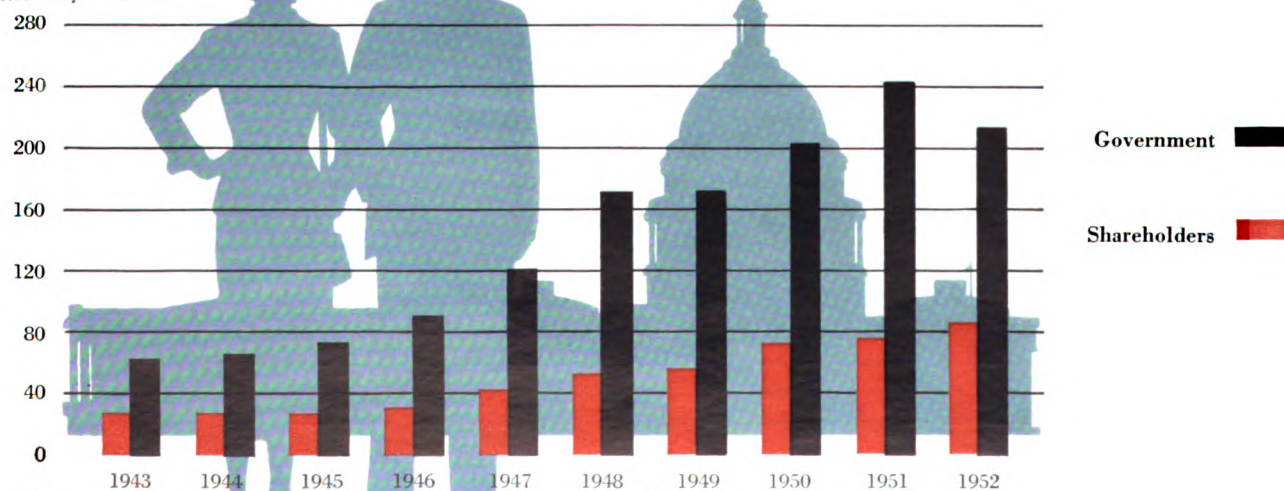
Equity in Net Income of Eastern Hemisphere Affiliates

Millions of Dollars



Payments to Shareholders and Government

Millions of Dollars



Payments to government include income and property taxes paid directly by Company and sales and excise taxes collected on products sold.

Consolidated Statement of Income

	1952	1951
<i>Gross Income:</i>		
Sales of products and services	\$1,015,309,183	\$ 975,378,009
Dividends from companies owned 50% or less operating in Eastern Hemisphere (Note 2)	63,107,259	58,968,783
Dividends from other companies (Note 2)	3,616,221	2,987,008
Other income	5,082,990	4,733,135
	<u>1,087,115,653</u>	<u>1,042,066,935</u>
<i>Expenses:</i>		
Cost of products sold and other operating expenses	678,397,899	620,012,518
Depreciation, depletion and amortization	98,943,726	86,764,464
Exploration, delay rental and unproductive well costs (Note 3)	52,430,789	33,331,253
Federal and other taxes based on income (estimated) (Note 4)	40,700,000	88,500,000
Other taxes	40,170,298	37,751,592
Interest on long term debt	2,034,525	2,101,982
Miscellaneous	407,917	263,915
	<u>913,085,154</u>	<u>868,725,724</u>
<i>Net Income</i>	<u>\$ 174,030,499</u>	<u>\$ 173,341,211</u>

Consolidated Statement of Earned Surplus

	1952	1951
<i>Balance at Beginning of Year</i>	\$498,413,607	\$399,604,455
<i>Net Income for Year.</i>	174,030,499	173,341,211
<i>Cash Dividends</i>	<u>(86,019,576)</u>	<u>(74,532,059)</u>
<i>Balance at End of Year.</i>	<u>\$586,424,530</u>	<u>\$498,413,607</u>

Consolidated

ASSETS

	December 31 1952	December 31 1951			
<i>Current Assets:</i>					
Cash	\$ 68,325,870	\$ 67,502,847			
U. S. Government securities, at cost which approximates market . .	69,994,531	119,875,822			
Accounts receivable—U. S. Government	7,389,289	11,510,313			
Accounts and notes receivable other than U. S. Government (less reserves of \$1,890,000 in 1952 and \$2,325,000 in 1951) . .	101,910,898	97,996,472			
<i>Inventories:</i>					
Crude oil and products, at cost (on last-in, first-out basis), which is below market	83,674,904	69,921,407			
Other merchandise, at cost	11,180,945	10,723,563			
Materials and supplies, at or below cost	38,287,945	32,129,137			
	380,764,382	409,659,561			
<i>Long Term Receivables</i>					
(less reserves of \$765,000 in 1952 and \$105,000 in 1951)	8,858,348	6,397,983			
<i>Investments in Companies Not Wholly Owned (At or Below Cost):</i>					
<i>Operating in foreign countries:</i>					
Companies over 50% owned (Note 2)	409,449	185,475			
Companies owned 50% or less	14,329,351	16,347,664			
	14,738,800	16,533,139			
<i>Operating in the United States:</i>					
Companies over 50% owned (Note 2)	3,213,918	8,424,516			
Companies owned 50% or less	7,214,455	6,946,341			
	10,428,373	15,370,857			
<i>Properties, Plant and Equipment (Note 3):</i>					
<i>Classification</i>	<i>Gross Book Value</i>	<i>Depreciation, Depletion and Amortization Reserves</i>	<i>Net Book Value</i>		
Producing . . .	\$1,092,593,006	\$534,172,263	\$558,420,743		
Pipe Line . . .	75,474,988	32,185,582	43,289,406		
Manufacturing . .	331,352,060	135,363,456	195,988,604		
Marine	81,911,892	18,576,271	63,335,621		
Marketing . . .	138,257,435	56,436,919	81,820,516		
Motor Transport .	19,089,426	9,324,788	9,764,638		
Other	32,837,352	8,297,490	24,539,862		
Total	\$1,771,516,159	\$794,356,769	\$977,159,390	977,159,390	903,492,635
<i>Prepaid and Deferred Charges</i>			15,249,201	14,119,848	
			\$1,407,198,494	\$1,365,574,023	

NY OF CALIFORNIA

Balance Sheet

LIABILITIES

	<i>December 31</i> <i>1952</i>	<i>December 31</i> <i>1951</i>
<i>Current Liabilities:</i>		
Accounts payable	\$ 66,346,991	\$ 62,776,162
Long term debt due within one year	3,834,280	3,834,280
Accrued interest on long term debt	517,295	556,368
Motor fuel taxes payable	7,107,167	6,840,525
Federal excise taxes payable	3,540,903	3,451,905
Federal and other taxes based on income (estimated) (Note 4) . .	49,314,010	91,123,807
Other accrued taxes payable	14,967,600	13,215,692
	<u>145,628,246</u>	<u>181,798,739</u>
 <i>Long Term Debt:</i>		
Standard Oil Company of California:		
1.85% loans from banks due August 1, 1958	50,000,000	50,000,000
Purchase obligation due annually to 1961	4,229,948	4,801,727
Subsidiary Companies:		
California Transport Corporation 2¾% notes due annually to 1956	7,500,000	22,500,000
Salt Lake Pipe Line Company 2% to 3¼% notes due in varying amounts to 1972	23,437,500	17,200,000
	<u>85,167,448</u>	<u>94,501,727</u>
 <i>Reserve—General Insurance</i>	<i>18,241,506</i>	<i>19,123,186</i>
	<u>249,037,200</u>	<u>295,423,652</u>
 <i>Capital Stock and Surplus:</i>		
Capital stock:		
Authorized—40,000,000 shares, no par value		
Issued—28,673,192 shares	358,414,900	358,414,900
Capital surplus	213,321,864	213,321,864
Earned surplus	586,424,530	498,413,607
	<u>1,158,161,294</u>	<u>1,070,150,371</u>
	<u>\$1,407,198,494</u>	<u>\$1,365,574,023</u>

Notes to Financial Statements

1. PRINCIPLES OF CONSOLIDATION

The accounts of all wholly owned subsidiary companies are included in the consolidated financial statements. Items recorded in foreign currencies have been expressed in United States dollars as follows: Current and working assets and liabilities have been converted at rates of exchange in effect at the close of the year, and investments and fixed assets at rates in effect when acquired. Income, costs and expenses have been converted at average rates of exchange during the year, except depreciation, depletion and amortization which have been calculated on the United States dollar cost of properties. Unrealized profits or losses from conversion of items as described above are included in the statement of income.

2. COMPANIES NOT WHOLLY OWNED

The Company's equity in undistributed net income of unconsolidated companies over 50% owned has increased \$1,980,102 since acquisition; dividends received during the year from these companies exceeded the Company's equity in their 1952 net income by \$43,659.

The Company's equity in the estimated 1952 net income of companies owned 50% or less operating in the Eastern Hemisphere exceeded dividends received from such companies during the year by \$52,868,772.

Undistributed net income which may be received as dividends from the above companies will be subject to taxes under laws prevailing at the time of distribution.

3. PROPERTIES, PLANT AND EQUIPMENT

Properties, plant and equipment are carried at values approved by the Directors at organization in 1926, plus subsequent additions at cost (less reserves).

Exploration expenditures resulting in the acquisition or retention of properties are capitalized, while the remainder is charged to expense. Costs of wells capable of producing are capitalized, and costs of unproductive wells are charged to expense.

4. TAXES

No provision for excess profits tax was required in 1952 since the excess profits credit exceeded excess profits net income. The provision in 1951 for excess profits tax of \$6,700,000 is no longer required because of the carry-back allowance of the unused portion of the 1952 credit; such amount was applied as a reduction in arriving at the 1952 provision for Federal and other taxes based on income.

The liability for Federal and other taxes on this and prior years' income, which may result from the final interpretation of tax laws and regulations, is not presently determinable, but the amount provided at December 31, 1952 should be sufficient to meet such liability.

No provision has been made for income taxes which may be payable on future distributions from surplus of wholly owned subsidiary companies included in the consolidated statement of earned surplus.

5. RETIREMENT AND STOCK PLANS

At December 31, 1952 the balance of the companies' contributions and related investment income, under various retirement plans, held by trust companies in the form of cash and securities (at cost) amounted to \$86,586,086. Contractual liabilities of the companies at that date were estimated to be approximately \$77,200,000.

During the year a total of \$10,534,212 was charged against income in connection with retirement plans. This amount exceeded by approximately \$1,300,000 the estimated accrual, including interest, for services

during the year of active employees under the plans.

Contractual liabilities of the companies at December 31, 1952 do not include potential liabilities as to employees who had not attained the years of credited service required for vested rights to annuities, since their benefits under the plans may be modified or terminated under certain conditions. (Such potential liabilities are estimated at \$30,300,000 based on actuarial assumptions as to mortality, turnover, interest, etc.)

The charge against income in 1952 in connection with the stock plan for employees which became effective July 1, 1952, amounted to \$2,255,640.

6. CONTINGENT LIABILITIES

At December 31, 1952 the Company had contingent liabilities of \$42,773,000 as guarantor of notes of companies owned 50% or less operating in foreign countries.

The Company and its subsidiaries have certain other contingent liabilities (in addition to those in Notes 4 and 5) in respect of litigation, claims, renegotiation, commitments and as guarantor of notes and contracts. Officials of the Company are of the opinion that such contingent liabilities will not result in any significant financial liability in relation to the net assets of the Company and its subsidiaries.

Report of Independent Public Accountants

To the Board of Directors of

Standard Oil Company of California:

In our opinion, the accompanying consolidated balance sheet and the related statements of income and earned surplus, together with the notes thereto, present fairly the position of Standard Oil Company of California and wholly owned subsidiary companies at December 31, 1952 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

San Francisco, March 17, 1953

Ten Years of Financial and Operating Statistics

		1953	1952	1951
FINANCIAL	Net Income	\$ 189,453,450	\$ 174,030,499	\$ 173,341,211
	Per Share [¶]	\$ 6.61	\$ 6.07	\$ 6.05
	Cash Dividends	\$ 86,019,576	\$ 86,019,576	\$ 74,532,059
	Per Share [¶]	\$ 3.00	\$ 3.00	\$ 2.60
	Sales of Products and Services	\$1,080,425,144	\$1,015,309,183	\$ 975,378,009
	Dividends from Eastern Hemisphere Affiliates*	\$ 60,827,369	\$ 63,107,259	\$ 58,968,783
	Total Assets	\$1,535,184,526	\$1,407,198,494	\$1,365,574,023
	Liabilities and Reserves	\$ 273,589,358	\$ 249,037,200	\$ 295,423,652
	Shareholders' Equity—at Book Value	\$1,261,595,168	\$1,158,161,294	\$1,070,150,371
	Per Share [¶]	\$ 44.00	\$ 40.39	\$ 37.32
	Current Assets	\$ 448,551,070	\$ 380,764,382	\$ 409,659,561
	Current Liabilities	\$ 175,311,372	\$ 145,628,246	\$ 181,798,739
	Working Capital	\$ 273,239,698	\$ 235,136,136	\$ 227,860,822
	Properties, Plant and Equipment (Net)	\$1,037,659,406	\$ 977,159,390	\$ 903,492,635
	Additions to Properties, Plant and Equipment	\$ 173,822,128	\$ 173,134,625	\$ 143,450,870
	Depreciation, Depletion and Amortization	\$ 108,114,984	\$ 98,943,726	\$ 86,764,464
	Total Payroll (Including Construction)	\$ 183,859,421	\$ 171,735,597	\$ 151,712,267
OPERATING	Gross Production of Crude Oil (Barrels)			
	Domestic—California	46,083,175	47,855,842	50,835,095
	Other States	57,992,629	57,971,720	54,479,325
	Canada and South America	11,232,039	9,111,827	6,112,175
	Gross Production of Natural Gas Liquids—Domestic (Barrels)	8,018,482	8,487,923	8,332,537
	Total Gross Production, Western Hemisphere	123,326,325	123,427,312	119,759,132
	Proportion of Gross Crude Oil Production in Eastern Hemisphere Represented by the Company's Stock Interest in Affiliates* (Barrels)	105,862,197	98,969,058	89,061,491
	Total	229,188,522	222,396,370	208,820,623
	Net Production of Crude Oil (Barrels)	102,184,179	102,324,013	99,828,523
	Net Production of Natural Gas Liquids (Barrels)	7,380,046	7,766,424	7,622,818
	Total Net Production, Western Hemisphere	109,564,225	110,090,437	107,451,341
	Purchases of Crude Oil, Excluding Royalty (Barrels)	106,667,583	100,426,017	92,051,859
	Refinery Runs of Crude Oil (Barrels)	163,010,634	149,394,855	138,515,189
	Sales of Petroleum Products (Barrels)	157,947,519	155,389,175	147,941,128
	Sales of Crude Oil (Barrels)	59,797,532	65,276,576	62,454,867
	Sales of Natural Gas (1,000 Cu. Ft.)	83,858,856	81,490,535	87,403,369
	Number of Wells Drilled†—Oil	438	504	448
	Gas	18	12	12
	Dry	113	173	103
	Total	569	689	563
YEAR-END	Inventories of Crude Oil and Products (Barrels)	48,169,154	37,343,103	33,166,131
	Producing Oil and Gas Wells—Domestic‡	7,730	7,023	6,812
	Producing Oil and Gas Wells—Foreign‡	225	167	95
	Total	7,955	7,190	6,907
	Acreage of Oil and Gas Properties (Net)—Domestic	8,192,396	9,161,782	7,670,213
	Acreage of Oil and Gas Properties (Net)—Foreign	24,667,336	21,958,105	12,002,935
	Number of Employees	34,940	34,753	32,339
	Number of Shareholders	112,269	109,749	104,857

¶Computed on 28,673,192 shares.

§Also 5% stock dividend.

*Affiliates are owned 50% or less by Standard Oil Company of California.

STANDARD OIL COMPANY OF CALIFORNIA AND WHOLLY OWNED SUBSIDIARIES

1950	1949	1948	1947	1946	1945	1944
\$ 150,804,105	\$ 136,017,835	\$ 161,491,932	\$107,268,575	\$ 66,956,611	\$ 55,554,628	\$ 43,467,997
\$ 5.26	\$ 4.74	\$ 5.63	\$ 3.74	\$ 2.34	\$ 1.94	\$ 1.52
\$ 71,620,489	\$ 54,579,661	\$ 52,015,812	\$ 41,612,650	\$ 29,909,092	\$ 26,007,906	\$ 26,007,906
\$ 2.50	\$ 1.90	\$ 1.81	\$ 1.45	\$ 1.04	\$.91	\$.91
\$ 815,619,774	\$ 742,551,413	\$ 744,826,950	\$537,051,570	\$372,797,407†	\$343,327,684†	\$328,778,982†
\$ 47,884,120	\$ 28,500,055	\$ 27,500,010	\$ 13,617,365	—	—	—
\$1,232,953,325	\$1,157,703,362	\$1,108,329,832	\$876,185,264†	\$785,467,400†	\$738,346,440†	\$718,869,980†
\$ 261,612,106	\$ 265,545,759	\$ 297,610,403	\$166,639,126†	\$139,633,787†	\$128,744,086†	\$132,899,501†
\$ 971,341,219	\$ 892,157,603	\$ 810,719,429	\$709,546,138	\$645,833,613	\$609,602,354	\$585,970,479
\$ 33.88	\$ 31.11	\$ 28.27	\$ 24.75	\$ 22.52	\$ 21.26	\$ 20.44
\$ 334,428,981	\$ 341,480,019	\$ 327,838,990	\$189,491,341†	\$148,183,068†	\$156,532,881†	\$173,252,551†
\$ 144,503,569	\$ 104,358,818	\$ 118,760,707	\$ 86,217,557†	\$ 57,809,128†	\$ 43,090,071†	\$ 50,636,331†
\$ 189,925,412	\$ 237,121,201	\$ 209,078,283	\$103,273,784†	\$ 90,373,940†	\$113,442,810†	\$122,616,220†
\$ 852,475,966	\$ 772,735,397	\$ 737,583,518	\$637,988,557	\$550,800,590	\$499,807,870	\$481,413,716
\$ 160,800,692	\$ 123,535,228	\$ 163,544,554	\$141,610,339	\$103,479,534	\$ 77,413,081	\$ 49,829,364
\$ 75,266,439	\$ 75,706,705	\$ 66,103,378	\$ 48,968,790	\$ 41,662,603	\$ 46,815,850	\$ 41,260,837
\$ 131,763,785	\$ 131,057,481	\$ 129,632,779	\$107,895,551	\$ 87,069,144	\$ 72,121,063	\$ 67,227,136
51,194,560	57,335,793	65,376,270	63,580,090	60,366,064	63,292,944	57,890,573
49,385,333	43,160,679	39,623,382	32,452,351	25,261,670	16,047,625	10,291,759
4,965,013	1,785,182	744,842	454,700	448,837	308,558	151,700
7,835,752	7,654,297	6,537,084	4,810,494	3,944,701	3,955,279	3,595,912
113,380,658	109,935,951	112,281,578	101,297,635	90,021,272	83,604,406	71,929,944
65,546,693	57,868,380	48,325,189	31,660,849	33,976,784	14,309,967	7,254,107
178,927,351	167,804,331	160,606,767	132,958,484	123,998,056	97,914,373	79,184,051
94,328,612	92,725,769	98,984,688	89,711,905	79,871,615	74,252,786	63,706,974
7,134,647	6,977,229	6,315,896	4,516,053	3,666,586	3,696,068	3,375,525
101,463,259	99,702,998	105,300,584	94,227,958	83,538,201	77,948,854	67,082,499
71,071,051	59,485,111	61,392,572	53,173,289	44,120,105	40,687,257	44,338,224
110,457,378	111,554,922	114,357,782	100,419,302	90,251,860	95,008,019	90,997,529
132,015,903	120,223,445	125,158,407	115,264,553	100,045,785	105,406,961	104,127,959
56,424,028	44,698,001	40,762,966	34,814,322	29,013,501	18,222,937	12,038,049
113,834,252	117,118,776	113,137,874	92,632,760	83,333,510	90,571,132	102,934,682
412	370	633	433	396	529	418
9	13	19	20	23	18	22
67	70	79	76	57	112	101
488	453	731	529	476	659	541
31,790,618	33,554,437	31,847,195	25,107,386	24,512,212	22,491,319	24,643,754
6,418	5,618	5,995	5,470	5,111	4,809	4,138
80	61	53	36	31	29	11
6,498	5,679	6,048	5,506	5,142	4,838	4,149
4,032,434	3,786,653	4,038,228	4,091,019	3,630,517	3,068,584	2,979,666
6,456,752	6,624,713	5,841,766	8,085,640	6,149,001	5,396,280	4,946,075
30,671	29,846	31,983	31,252	28,222	27,246	23,375
98,605	94,691	91,247	90,850	89,313	87,260	83,281

† Wholly owned foreign subsidiaries not consolidated.

‡ On basis of Company's net interest in all wells in which it has an equity.



Principal Marketing Areas
Western Hemisphere

A REVIEW OF OPERATIONS

Western Hemisphere

(Activities described in this section are those of the Parent Company and wholly owned subsidiaries, unless otherwise indicated.)

EXPLORATION AND DEVELOPMENT Exploration and drilling crews engaged in the most extensive search for oil in the Company's history, ranging from the Arctic Circle to South America, and from the West Indies to the California offshore areas. The successful exploratory well — or wildcat — is the proof of all the preliminary geological and geophysical work that has gone into the decision to drill. After an oil field is found by the wildcat driller, development wells are drilled to bring the field to its maximum efficient production. The drilling results for the last two years were:

	1952	1951
Total number of wells drilled	689	563
Successful completions (including gas wells)		
Exploratory	44	22
Development	472	438
Dry holes		
Exploratory	126	69
Development	47	34

At the end of the year the Company had a net total of 7,190 producing oil and gas wells, as compared with 6,907 at the close of 1951.

Total production for 1952 was at the rate of 337,200 barrels daily, including 23,200 barrels daily of natural gas liquids. This compared with 1951 production of 328,100 barrels daily, which included 22,900 barrels daily of natural gas liquids. By areas, the 1952 production came from:

California	142,400 barrels daily
Elsewhere in the United States	169,900 barrels daily
Elsewhere in the Western Hemisphere	24,900 barrels daily

Approximately 75 per cent of the \$87,000,000 spent in exploration during 1952 went for work within the United States; approximately 80 per cent of the \$65,000,000 spent for development work went into domestic operations. In total, these expenditures averaged about \$415,000 a day.

Two areas that attracted a high degree of oil industry interest were in the prairie provinces of western Canada and in the Williston Basin, lying in the Dakotas and Montana and extending into Saskatchewan and Manitoba. Two subsidiaries were among the most active companies in these regions, The California Standard Company in Canada, and The California Company in the American section of the Williston Basin.

The California Standard Company was engaged in all phases of exploration work, from the United States border to the far North, and from British Columbia to Manitoba. In addition it has production in fields discovered in previous years.

Canadian oil generally is remote from the United States markets which can absorb the production in excess of local demands, so that many auxiliary installations must be built. Completion of a new pipe line from



Alberta to the Pacific Coast in 1953 and of other lines is expected to bring about an increase in allowable production rates from established fields, from which this subsidiary will benefit.

During 1952, exploratory drilling by this subsidiary brought successful results in a southward extension of the highly productive reef trend from the Acheson and Leduc fields.

In other areas, extending far to the north, geological and geophysical work was kept moving at a rapid pace to obtain information for the early selection and retention of leases. Much of this work is under rigorous climatic and topographic conditions.

In the Williston Basin south of the border, The California Company continued geological and geophysical investigations and leased substantial areas. Several exploratory wells are planned for 1953.

The main centers of The California Company's production are in Louisiana, Mississippi, Colorado, Wyoming and Utah. Further leasing and exploratory work was done in these areas, as well as in several other states, including Pennsylvania, Florida, Alabama and Oklahoma.

Standard Oil Company of Texas operates in Texas and New Mexico and carried out a substantial exploration and development program in both states. This subsidiary is participating in an agreement for unit operation of the important Kelly-Snyder field in West Texas, the largest operation of its kind both in area and number of wells for maintenance of underground pressures. It has an interest of approximately 20 per cent in the entire unit and will handle one-third of the operation.

Furthering the interests of conservation work generally, the Company has been active in developing and operating secondary methods of recovery to maintain or restore the original reservoir energy that moves oil to the wells. Such conservation programs add substantially to the ultimate recovery of oil and they have become increasingly important.

Exploration activities of the Parent Company in California were the most successful in several years. The year's best discovery was a new oil zone in the Buena Vista Hills area of the San Joaquin Valley. Parent Company exploration also covered large areas of Nevada, western Utah and Idaho. Preliminary exploration work was begun in western Washington and Oregon, to be carried on during 1953.

In Venezuela, Richmond Exploration Company increased production by drilling additional development wells in the Boscan field, 20 miles west of Lake Maracaibo. A growing market for this field's heavy crude absorbed the added production.

Richmond Petroleum Company of Colombia continued preliminary exploration on large holdings in that country.

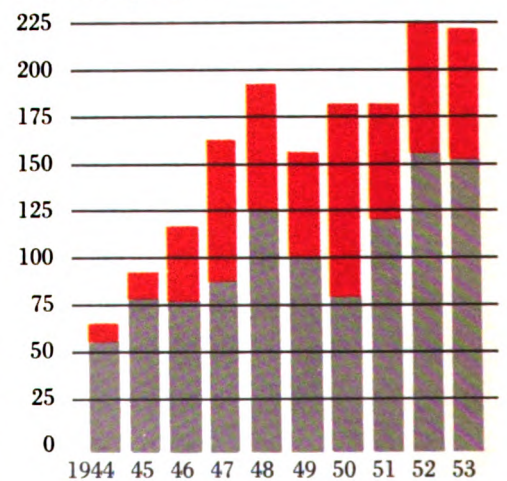
New concessions and holdings recently have been obtained covering 650,000 acres in Peru and about 1,000,000 acres in and around Trinidad, off the northeastern coast of South America. Exploration work will be pushed ahead in these countries in 1953.

MANUFACTURING Domestic refineries of the Company ran an average of 402,900 barrels of crude daily, as compared with 374,400 in 1951. Expenditures for improvement of manufacturing facilities continued the expansion and modernization of the last several years and were aimed



Capital and Exploratory Expenditures

Millions of Dollars



 Producing and Exploration,
Parent Company and Subsidiaries

 Manufacturing, Marketing,
Transportation, Etc.,
Parent Company and Subsidiaries

generally higher costs on the one hand and government controls, which imposed inadequate ceiling prices, on the other.

Demands in the West Coast territory of the Parent Company absorbed virtually all available production, so that the year ended with inventory volumes at low levels.

Sales of RPM Motor Oil and RPM DELO oils and greases were at new high points. The Company continued as the West's principal supplier of waxes for industrial purposes, such as wrapping papers, milk cartons, waterproofing compounds and other materials. People living beyond urban gas supplies were using more "bottled gas"—butane and propane—with resultant sales increases. Experiments are being made to store propane in natural underground reservoirs during the summer off-peak demand period to solve present expensive storage problems.

Operating efficiency was stressed in distribution facilities, to provide less expensive bulk storage closer to markets and to encourage larger individual deliveries to various types of customers. A new identification plate system was installed for the 600,000 credit card customers, to speed up service and improve record keeping.

Standard Oil Company of British Columbia Limited is a growing subsidiary, which operates a refinery and sells a general line of products in the Province of British Columbia. While such places as Victoria and Vancouver, B. C., are well known to American tourists, it is not generally realized that this Province is the scene of important industrial development projects, which will attract more population and business to the economy of western Canada.

The California Oil Company, a marketer operating on the Eastern Seaboard, from Maine to Virginia, strengthened its position by increased sales and improvements in distributor representation. It sells in 11 states and the District of Columbia to independently-owned jobber and distributor organizations, which in turn sell to service stations.

Expanded highway construction programs and the reputation held by "Bitumuls" Emulsified Asphalt for low-cost, long-lasting paving were reflected in the peak sales record established during the year by American Bitumuls & Asphalt Company. This subsidiary is supplied by various Parent Company refineries and it has five refineries of its own, at Seattle, Wash.; Portland, Ore.; Baltimore, Md.; East Providence, R. I., and Mobile, Ala. Twelve other plants are operated to manufacture "Bitumuls" Emulsified Asphalt for national marketing.

CHEMICAL PRODUCTS The Company is one of the most active in the oil industry in developing petroleum-related products in the chemical fields.

Oronite Chemical Company and California Spray-Chemical Corporation are the chemical sales organizations and their sales volume in 1952 approximated \$55,000,000.

Oronite markets in the wholesale field throughout the United States and abroad by selling basic and intermediate chemical products which are then processed into products for final sale by other manufacturers. About 70 per cent of its volume in 1952 consisted of products not commercially available ten years ago.

It continued during the year to lead in the marketing of the petroleum





derivative used in making household detergents, supplying the active ingredient for more than half the detergent volume of the United States. Oronite also sells important quantities of the basic chemical for a successful new type of synthetic fiber.

The sales of lubricating oil additives and various industrial chemicals derived wholly or in part from petroleum also figure importantly in Oronite's business. Many of the new refinery units are being built entirely or in part for these purposes. As an instance, the Richmond phenol plant will be the first to supply this basic chemical on the West Coast. Large volumes are used in the manufacture of plastics, insecticides, adhesives for the plywood industry, and in the refining of lubricating oil.

California Spray-Chemical Corporation does a nationwide business in insecticides and other pest controls for agricultural and garden use. It markets finished products and is the nation's foremost merchandiser in its field, principally under the brand name ORTHO. It also sells to other manufacturers and has export sales to many foreign countries.

Cal Spray increased sales revenues 11 per cent over 1951. However, net profits were lower because of reduced domestic prices and higher costs of doing business in both domestic and foreign markets.

TRANSPORTATION Through Standard Oil Company of British Columbia Limited, the Company has an 8 $\frac{2}{3}$ per cent interest in Trans-Mountain Oil Pipe Line Company, which will carry Canadian crude oil 718 miles from Edmonton, Alberta, to Vancouver, B. C., upon its scheduled completion in 1953.

Salt Lake Pipe Line Company built an eight-inch products line from Salt Lake City to Boise, paralleling an existing line. Capacity between these two points was raised to 36,000 barrels daily from the previous 22,000 barrels daily. Construction is under way on a 140-mile extension of the line from its present terminus at Pasco, Washington, to Spokane. This will be finished in 1953. New pumping stations also increased capacity of this subsidiary's crude line running from Rangely, Colo., to Salt Lake City.

Pasotex Pipe Line Company early in 1953 finished construction of a 195-mile crude oil pipe line between Wink, Texas, and El Paso, also paralleling an existing line. Total capacity was increased to 40,000 barrels daily.

California Transport Corporation placed in service a new super-tanker of 236,000 barrels capacity. This is the sixth of these super-tankers built for this subsidiary.

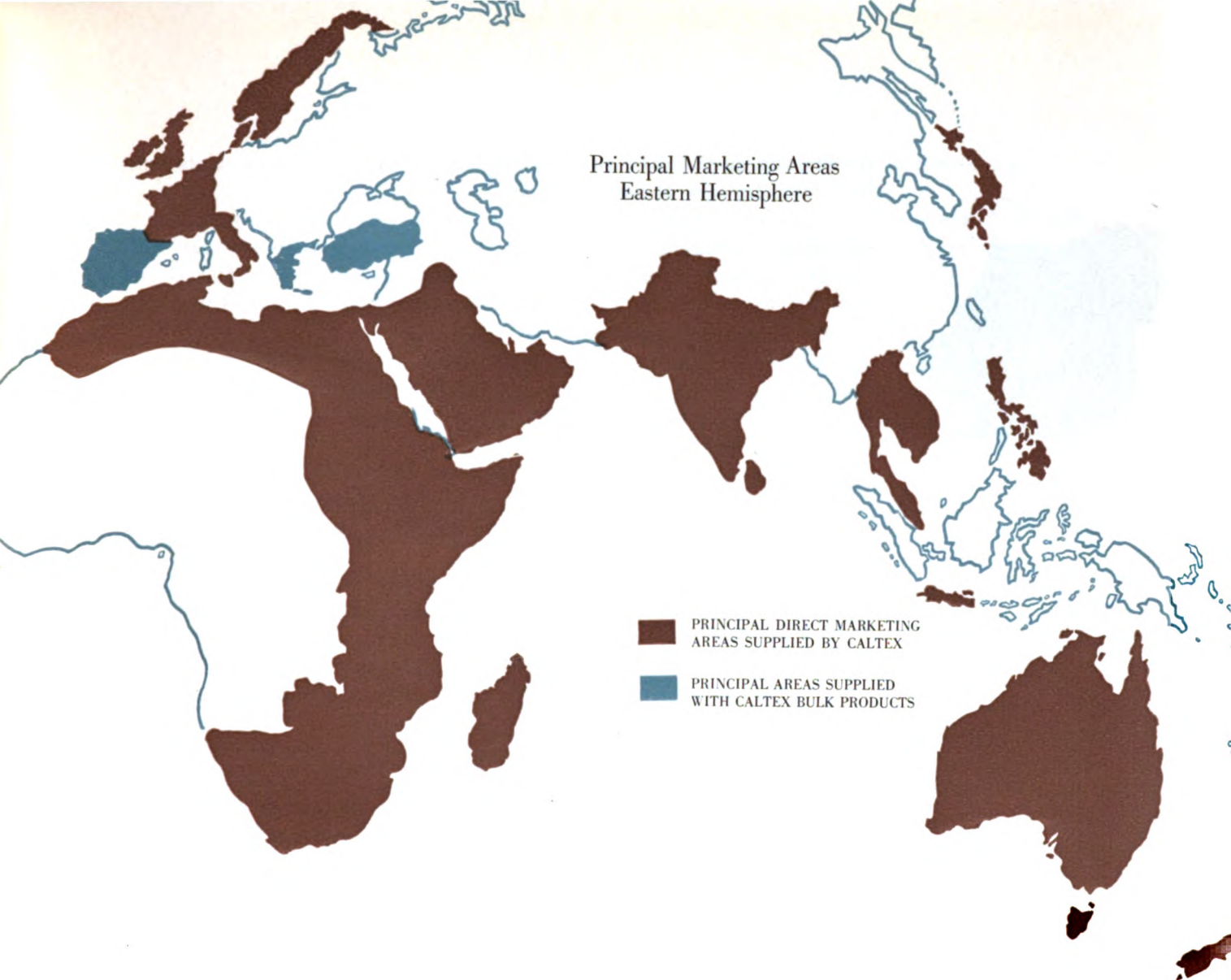
Under construction for the Parent Company is a 139,000-barrel tanker to be delivered late in 1953. At year's end 26 seagoing tankers were owned by the Company and wholly owned subsidiaries.

PERSONNEL There were 34,753 men and women working for the Company and its wholly owned subsidiaries at the end of the year.

One of the basic factors required in obtaining good employee morale and related productivity is the maintenance of a progressive personnel relations program.

The management regards the Stock Plan for employees as the most important step taken by the Company in many years in the field of em-



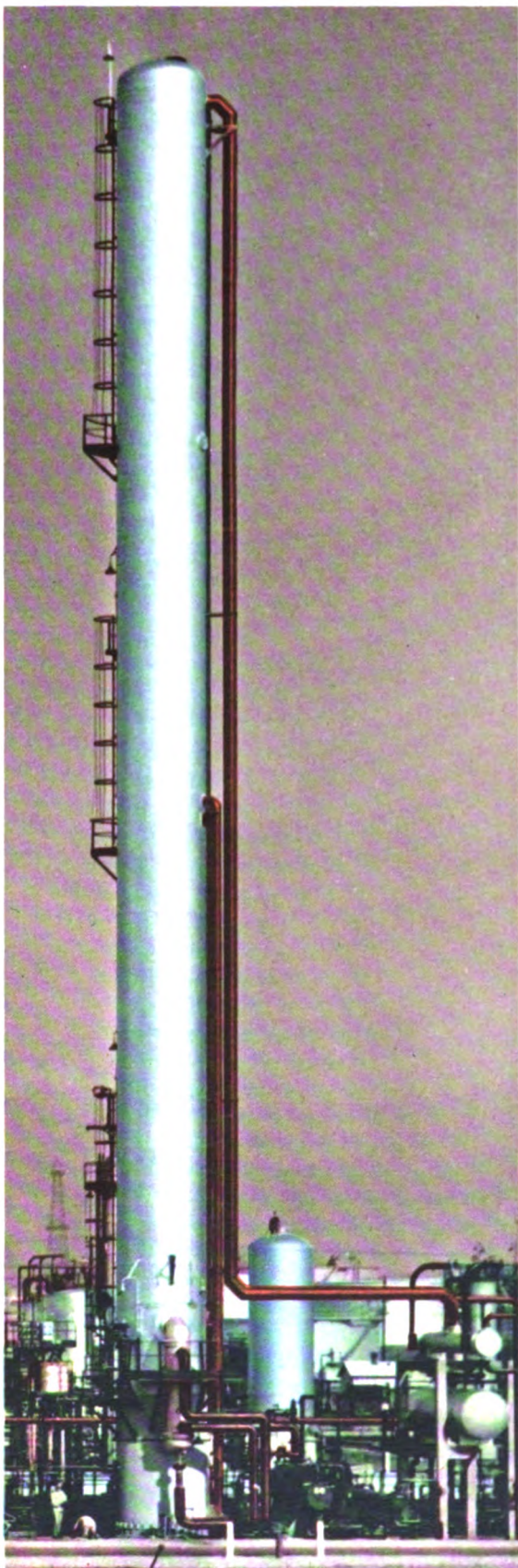


ployee relationships. Employees, in the last half of 1952, paid \$1,147,000 to the stock purchase fund, while the Company contributed \$2,256,000.

In an effort to learn what employees in general think about their jobs and the Company, and to obtain their suggestions for possible improvements, a large scale employee opinion poll was taken during the year. In the Parent Company and certain subsidiaries, 15,715 employees voluntarily participated. The results showed the existence of good morale and a favorable opinion of the Company and its policies. The findings have provided the basis for further improvements in the personnel program.

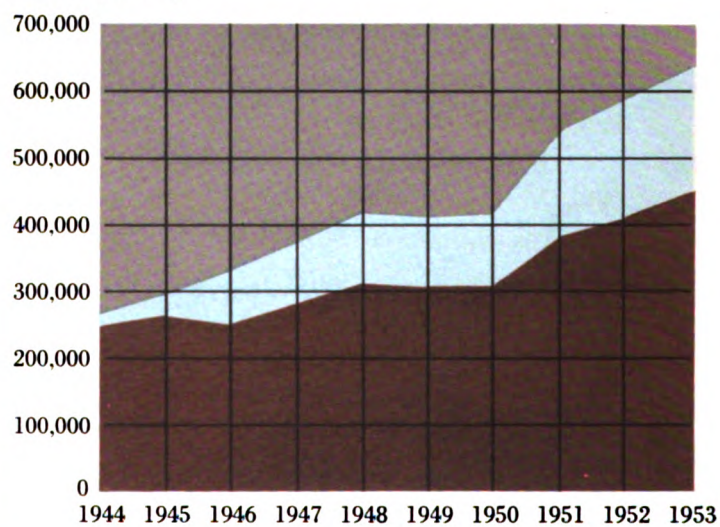
The Company's retirement plans for many years have been one of the important points in a strong personnel relations program. A new phase, pre-retirement counselling, was added this year because of the growing concern that many of the longer service employees were not sufficiently prepared for the adjustments necessary to a well-planned retirement.

RESEARCH Research continued to be emphasized as a vital factor in the integrated operations of the Company. Competition requires not only constant improvement of present products, but also new methods of pro-



Refinery Runs of Crude Oil

Barrels per Day



■ Parent Company and Subsidiaries

□ Proportion of Crude Oil Runs in Eastern Hemisphere Represented by the Company's Stock Interest in Affiliates.

REFINERY tower, Platforming Plant, El Segundo Refinery.

Of the 16 unit oil field plans effective in California, the Company is participating in 12. This is an important factor, because California has no comprehensive conservation laws. The program also adds to the recovery of oil from the Company's properties.

In Canada, The California Standard Company made three oil discoveries and participated in a fourth with another operator. These were the Pigeon Lake and East Acheson fields in central Alberta, and the Whitewater and Scallion fields in Manitoba. Developments at Whitewater and Scallion, as well as in the Roselea field, indicate southwestern Manitoba may become an important oil producing area. California Standard has 1,200,000 acres under lease in this portion of Manitoba.

Six natural gas discoveries also were made in 1953 by California Standard, five in central Alberta and one in southern Alberta. Wells at Homeglen, Rimbey and South Westeros have indicated large gas and distillate accumulations underlain by thin oil horizons. California Standard has large land holdings in these areas.

The development of these and other natural gas discoveries cannot be fully undertaken until more markets are established. Crude oil production likewise is limited by the available market, and California Standard's production, although increased, remained below its present productive capacity.

In South America, Richmond Oil Company obtained concessions from the government of Peru totaling nearly 1,000,000 acres in the Sechura desert and applied for approximately 2,500,000 acres in the Oriente area, in the Peruvian Andes. Exploratory work is under way.

Richmond Petroleum Company of Colombia began drilling a deep test in Colombia on the Buchado River, about 40 miles from the Pacific Ocean. This subsidiary has 240,000 acres under contract and has filed applications on more than 3,000,000 additional acres.

A concession, covering nearly 3,000,000 acres, was acquired in Ecuador by California Ecuador Petroleum Company.

Development drilling was continued by Richmond Exploration Company in the Boscan field, 20 miles west of Lake Maracaibo, in Venezuela. This special asphaltic-type crude continued to gain in market demand.

Dominion Oil Limited has under lease or application about 1,000,000 acres of oil and natural gas rights on the Island of Trinidad and in the offshore marine areas. Exploratory activities were increased during 1953.

MANUFACTURING To meet new demands, petroleum refining processes are becoming constantly more complex and costly. Automotive engines are going to higher compression ratios, some motors requiring fuel equivalent to the aviation gasoline of only a few years ago. Aviation gasoline requirements, too, have maintained a steady uptrend. Lubricants and greases constantly must be improved. As the field of chemicals derived from petroleum broadens, attractive opportunities are found for the installation of new processes and plants.

For these reasons, the Company has been engaged in a large construction program of refinery facilities and chemical plants, and projects amounting to \$58,000,000 were authorized in 1953. Actual expenditures will be at a peak during 1954, as some of the projects are completed and others go into major construction phases.

The various projects are not planned to add substantially to the total of refinery runs. Instead, they will turn out products of more kinds and of higher value.

Two chemical plants were completed during 1953 at El Segundo. One was completed and another expanded at Richmond. The various products turned out by these and other chemical installations are discussed in the Chemical Products section. A number of smaller projects related to general petroleum processing also were completed at these California refineries.

Construction went ahead rapidly during the year on a catalytic cracking and residuum stripper project at El Segundo. This unit will reduce the yield of residual fuel oil and increase yields of aviation and high quality automotive gasolines. Design work was begun on two catalytic reformers, one at El Segundo and one at Richmond, with completion scheduled during 1955. They will permit the further improvement in the quality of Chevron Supreme and Chevron gasolines.

Major expansion of the Vancouver refinery of Standard Oil Company of British Columbia got under way during 1953.

American Bitumuls & Asphalt Company began construction of an asphalt refinery near Cincinnati, Ohio, to process crude from the Boscan field in Venezuela.

Construction of a catalytic reformer was begun at the Perth Amboy, N. J., refinery of The California Oil Company, and completion is expected in 1954.

Col-Tex Refining Company, located at Colorado City, Texas, in which the Company has a 62½ per cent interest, completed a similar unit for improvement of gasoline quality.

MARKETING The often-critical West Coast product shortages of the previous three years eased off in the latter part of 1953. More favorable prices for products and their raw material, crude oil, encouraged the bringing in of oil from outside sources to rebuild inventories to adequate levels.

Competition, particularly in the gasoline and lubricating oil markets, became more intensified as the year passed. The Company marketed new gasolines with improvements designed to fill the needs of today's motorists.

A new motor oil, RPM 10-30 Special, with exceptional lubricating qualities, was introduced and found instant success with automobile owners. Public acceptance was the best ever accorded a new Company motor oil.

The major item of expenditure for marketing facilities was in service station construction and reconstruction, to maintain an adequate number of these outlets to keep up with the increasing demands of motorists along the Pacific Coast. In the 1,100 units of Standard Stations, Inc., the Company has the largest group of stations in the United States under one management. In addition, there are more than 6,000 independent Chevron Gas Stations on the West Coast.

Along with the service station program, other sales and distribution facilities were improved in the interests of better service to customers and more efficient operations.

With the end of product shortages, new selling campaigns were instituted for all the major products handled by the Company. Credit card sales to motorists increased 19 per cent over the previous year. They accounted for about one-half of the total business done by Standard Stations and Chevron dealers.

Standard Oil Company of British Columbia Limited, which refines and markets a general line of petroleum products in British Columbia, continued its marketing progress of the past several years.

SERVICE STATIONS, top to bottom, represent
Standard Stations, Inc., company operation, Western States;
Calso Stations, dealer operation, Eastern Seaboard;
Chevron Gas Stations, dealer operation, Western States.



Pearl Oil: Trademark of the kerosene that is popular in Hawaii and Alaska as well as the United States. Pearl Oil is used in stoves, heaters, lamps, brooders and incubators. Blazo Pressure Appliance Fuel is sold as a companion product.



Standard Diesel Fuels: Sold under the Standard trademark throughout the West, Standard Diesel Fuel and Standard Automotive Diesel Fuel are our top quality products used in the fields of farming, lumbering, mining and transportation.



Standard: Another of our well-known trademarks. Under it are sold a wide variety of special products—White Oils, Wood Preservative, Floor Waxes, a complete line of Roof Coatings—petroleum products for almost every specialized need.



Oronite: To industrial markets of the world go many products of our subsidiary, Oronite Chemical Company. Cresylic acids, detergent alkanes and polybutenes are a few of the Oronite products used in utilities, mining and manufacturing.



Bitumuls: American Bitumuls & Asphalt Company, a subsidiary, manufactures asphalt emulsions. Widely used for road, airport and other types of paving, either by penetration or mixing with the aggregate, without the necessity of heating.



Calso: Product of our subsidiary, The California Oil Company. Calso Gasoline is fast becoming one of the popular brands with motorists and operators of automotive equipment along the Atlantic Seaboard from Maine to Virginia.



ORTHO: Trademark of our subsidiary, California Spray-Chemical Corporation, marketers of a complete line of products in the agricultural and garden pest control field. ORTHO products are sold throughout the United States and abroad.

The California Oil Company, a refiner and marketer in 11 Eastern Seaboard states from Maine to Virginia, and in the District of Columbia, arranged for acquisition of a group of 150 service stations in northern New Jersey late in the year. California Oil carried on further improvements of its distribution facilities. It operates through distributors to the consumer trade and markets gasolines under the brand name of "Calso."

Standard Oil Company of Texas improved its marketing facilities in West Texas and New Mexico.

Continued national emphasis on building of new highways was reflected in the operations of American Bitumuls & Asphalt Company. It markets asphalts of various grades from three refineries of the Parent Company and from five of its own refineries. "Bitumuls" Emulsified Asphalt for paving and other emulsions for industrial purposes are manufactured and marketed by 22 plants and district offices throughout the United States.

CHEMICAL PRODUCTS The Company continues to have an important part in the field of chemicals made from petroleum. It has developed and marketed several of the most successful of these new products. The Company's chemical sales organizations are Oronite Chemical Company and California Spray-Chemical Corporation.

Oronite mainly markets industrial chemicals in the United States and abroad. Many of these are basic and intermediate chemical products sold to other manufacturers for final processing and sale.

Oronite continued to supply to the soap industry the key material used in making a large part of the household and industrial detergents used in the United States, and elsewhere in the world. Facilities were expanded for production of a basic chemical used in the manufacture of the polyester fiber marketed by Du Pont under the trade mark *Dacron*.

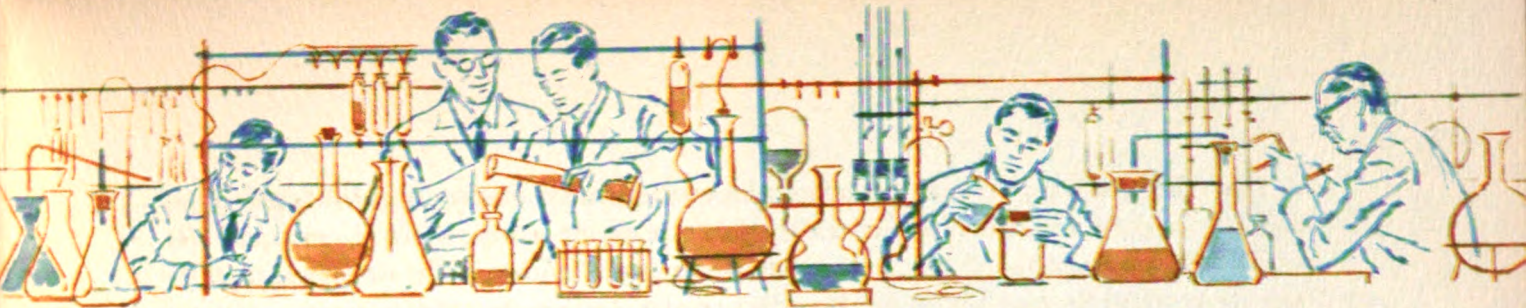
Completion of a phenol plant at Richmond will add importantly to Oronite's line. Phenol is used in the plastic, plywood, paint, petroleum refining, lubricating oil additive and chemical processing industries. A plant manufacturing basic materials for synthetic wood and metal coatings and for plastics was enlarged. Construction of the first commercial isophthalic plant is planned to provide another series of new products. The products will be used in the surface coating and plastic industries.

California Spray-Chemical Corporation is a national marketer of insecticides and garden and agricultural pest control products. These are principally sold under the brand name ORTHO. Cal Spray, in addition to selling finished products, also distributes to other manufacturers and sells in many countries abroad. An aggressive advertising and sales promotion program, begun in 1953, will be maintained in 1954.

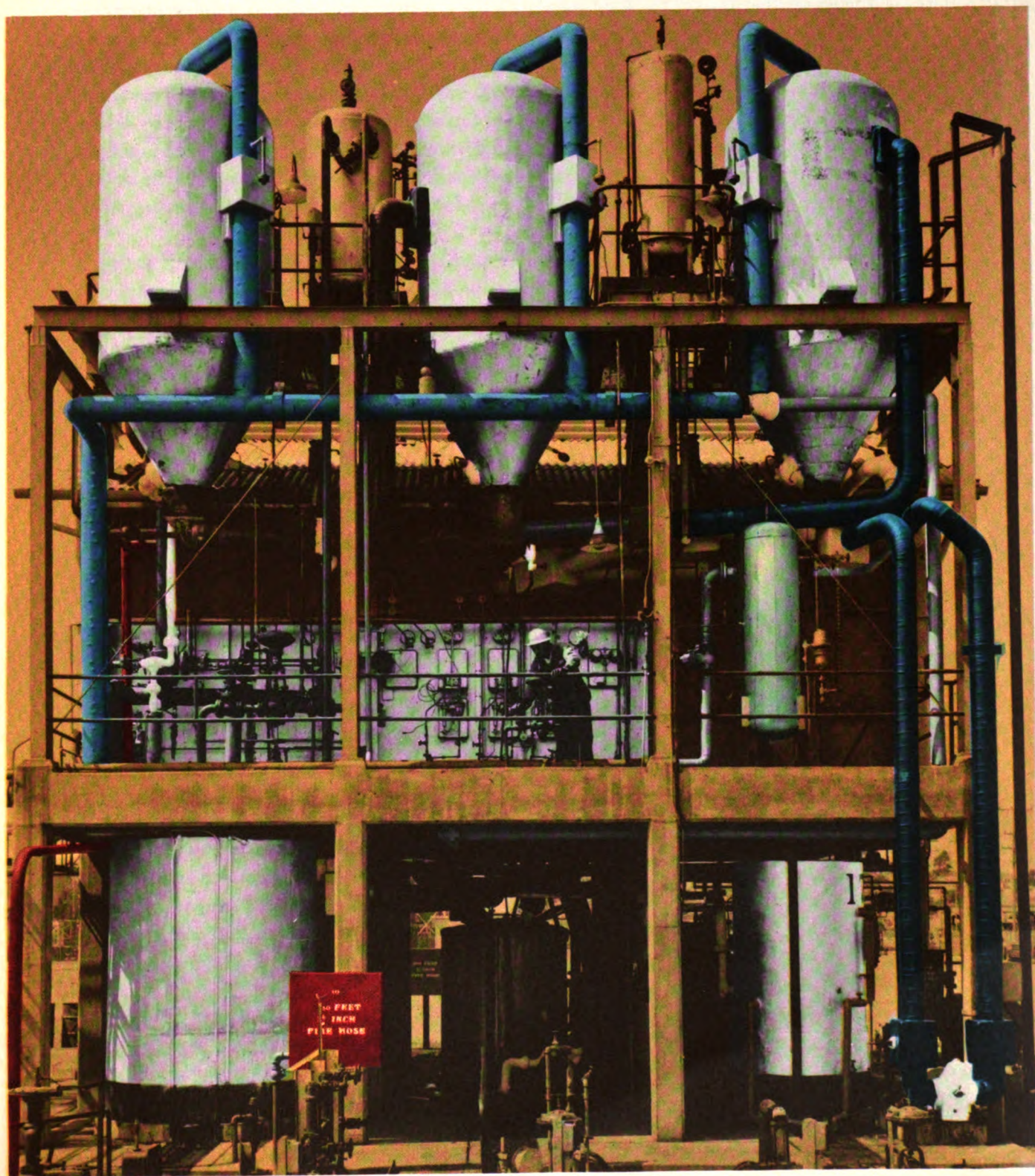
RESEARCH is of vital importance to continuing progress and over the years has added a wealth of new products and processes to the Company's stock in trade. California Research Corporation, the research subsidiary, carried on during 1953 a broad program contributing to the science and technology of petroleum. Its research and development expenditures approximated \$6,500,000 for the year.

As noted previously, petrochemicals offer many new opportunities. The field is highly competitive and the introduction of new products is particularly dependent on research.

The most recent example is the isophthalic development, which has been mentioned pre-



NEW PRODUCTS from petroleum, developed by research, are symbolized by the Paraxylene Plant at Richmond Refinery, below. Product of the plant is a key raw material in the manufacture of synthetic fabrics.



viously. This is a completely new product which will permit manufacture of better paints and plastics. California Research worked out the first process for making it on a commercial scale.

Another example of the value of strong research was evident in the development of the new RPM 10-30 Special Motor Oil. Introduction of this oil was preceded by years of exploratory and fundamental research into all aspects of lubrication, stock selection, effectiveness of additives and influence of motor operating conditions.

Process research also has kept pace with the growing complexity of refining operations required to produce the components of modern automotive and aviation fuels. This work is essential for the selection and design of new plants involving heavy capital expenditures. Process research also is important for purposes of improved operation of existing processes.

Another value of research is demonstrated in the licensing of patents for use by others. As one instance of the value of licensing, California Research Corporation developed the California Polymerization process, which has been licensed to ten oil companies in various parts of the world. It is a refining process for producing high octane gasoline blending stocks from low value stocks or waste gases.

Increasing attention was paid to oil field research at the La Habra laboratory, in Southern California, where encouraging progress is being made in applying latest scientific advances to exploration and production. One development was the application of new electronic computers to the calculation of the flow of oil, gas and water into a well bore. This enables more accurate forecasts of the conditions required for obtaining maximum economic recoveries from oil fields.

TRANSPORTATION The year saw completion and operation, at partial capacity, of the 718-mile Trans Mountain Pipe Line from Edmonton, Alberta, to Vancouver, B. C. Standard Oil Company of British Columbia Limited has an 8⅓ per cent stock interest in this venture.

Salt Lake Pipe Line Company extended its line from Pasco, Wash., to Spokane, Wash., a distance of 140 miles. The line carries finished products 706 miles from Salt Lake City to Spokane.

Pasotex Pipe Line Company completed a 195-mile project to parallel the existing line between Wink and El Paso, Texas. The capacity of this line is 40,000 barrels daily. In addition, early in 1954 Pasotex finished a 154-mile line between Snyder and Wink, Texas. The capacity of this line is 22,000 barrels daily. The crude goes to the El Paso refinery.

A new 139,000-barrel tanker was placed in operation for service to Hawaii, Alaska and Pacific Coast ports. The Company and its wholly owned subsidiaries own twenty-six seagoing tankers.

PERSONNEL There were 34,940 men and women working for the Company and wholly owned subsidiaries at the end of 1953. Management-employee relationships remained good.

The Stock Plan for employees has continued to receive wholehearted support, and now has a membership of 12,273, or 95 per cent of those eligible. More than 200,000 shares of Company stock are held for their accounts. Both the employees and the Company contribute to the stock purchases.

While employment became more stable during 1953, the shortage in technically trained applicants continued. The Company maintained a technical personnel recruiting program at